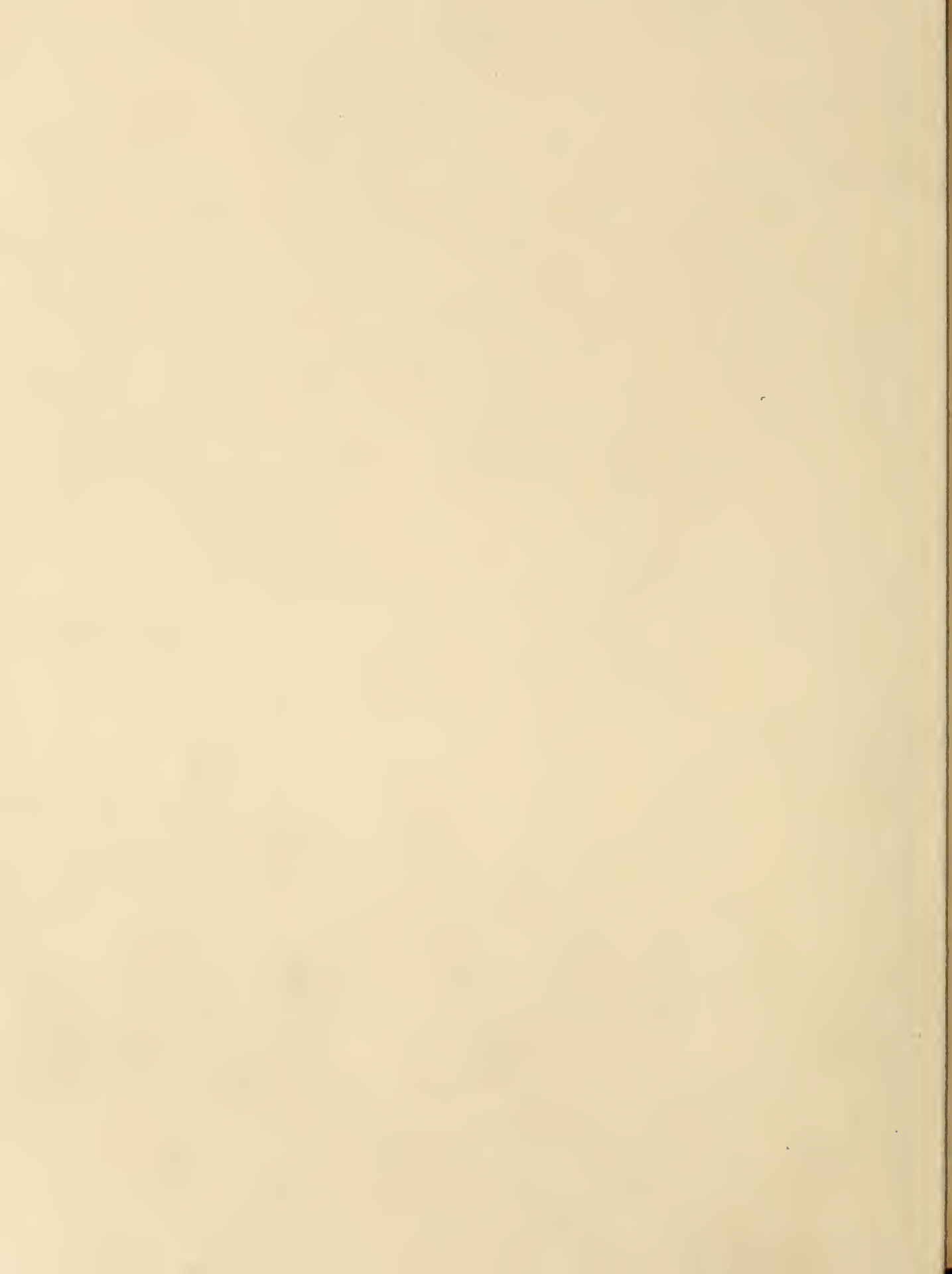


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Demand and Price

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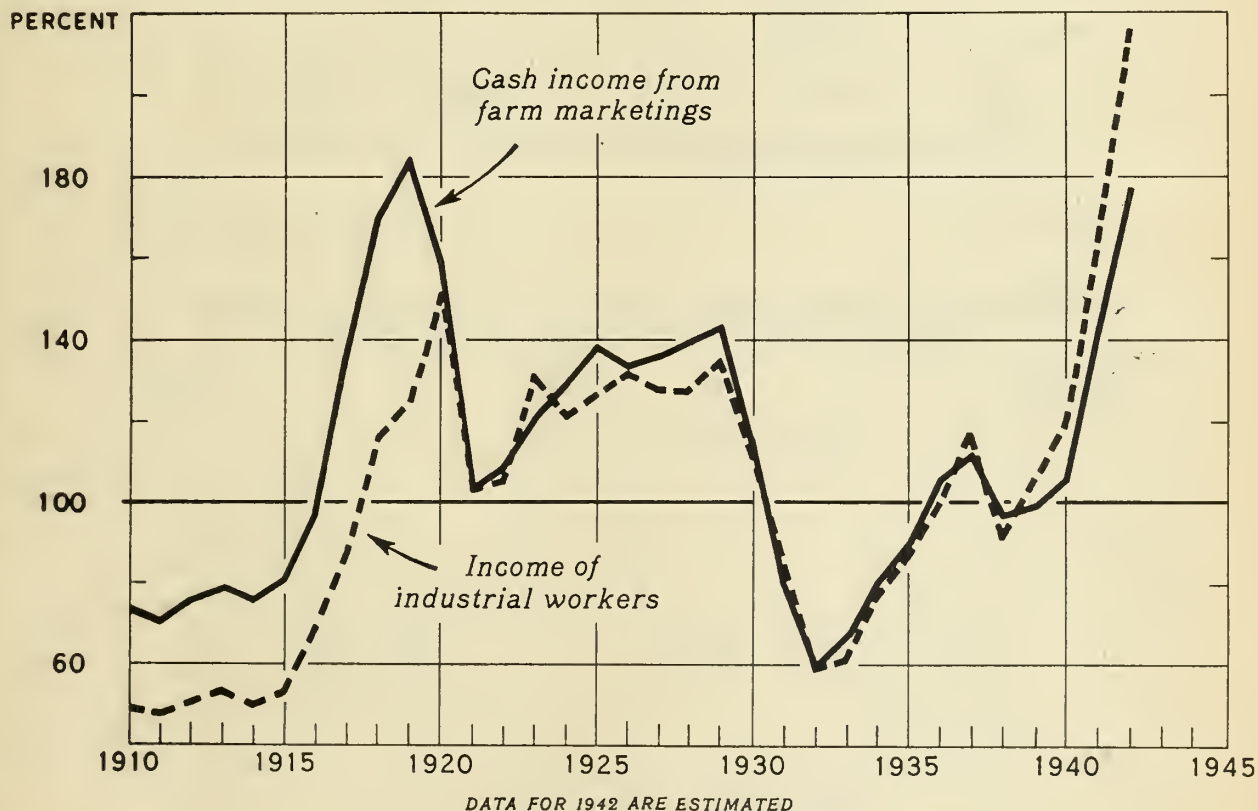
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OCTOBER 1942

1943 Outlook Issue

CASH INCOME FROM FARM MARKETINGS, AND INCOME OF INDUSTRIAL WORKERS, UNITED STATES, 1910-42

INDEX NUMBERS (1935-39=100)



U. S. DEPARTMENT OF AGRICULTURE

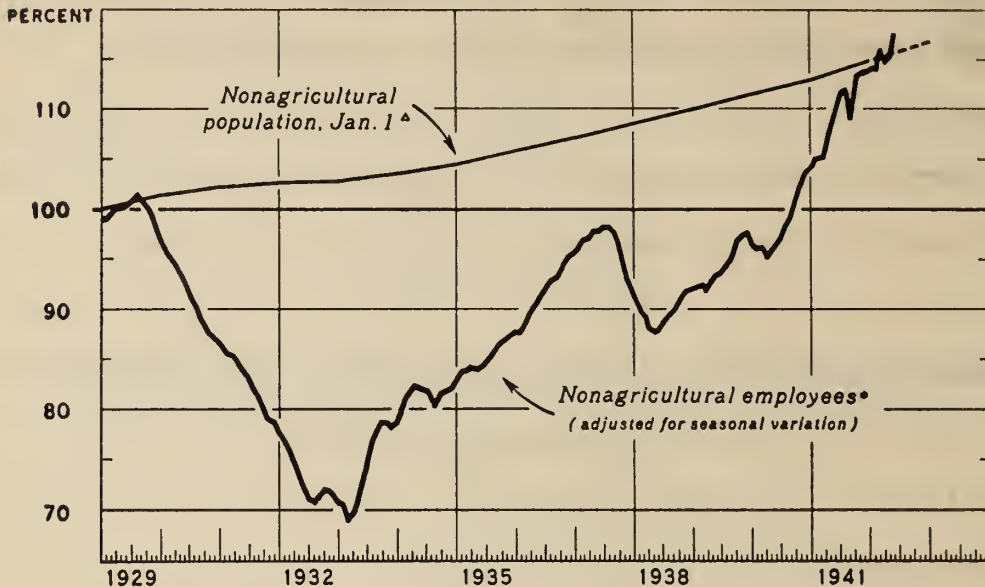
NEG. 42554

BUREAU OF AGRICULTURAL ECONOMICS

THE INCOMES OF FARMERS AND OF INDUSTRIAL WORKERS ARE AFFECTED SIMILARLY BY THE PERIODIC UPS AND DOWNS OF GENERAL BUSINESS ACTIVITY. CHANGES IN THE PURCHASING POWER OF INDUSTRIAL WORKERS GREATLY INFLUENCE THE DEMAND FOR AND PRICES OF FARM PRODUCTS. SINCE CHANGES IN FARM PRICES ORDINARILY ACCOUNT FOR MOST OF THE CHANGES ON FARM INCOME, THERE IS A NOTICEABLE SIMILARITY BETWEEN FLUCTUATIONS IN INCOME OF INDUSTRIAL WORKERS AND IN FARM INCOME.

NONAGRICULTURAL EMPLOYMENT AND POPULATION, UNITED STATES, 1929-42

INDEX NUMBERS (1929=100)



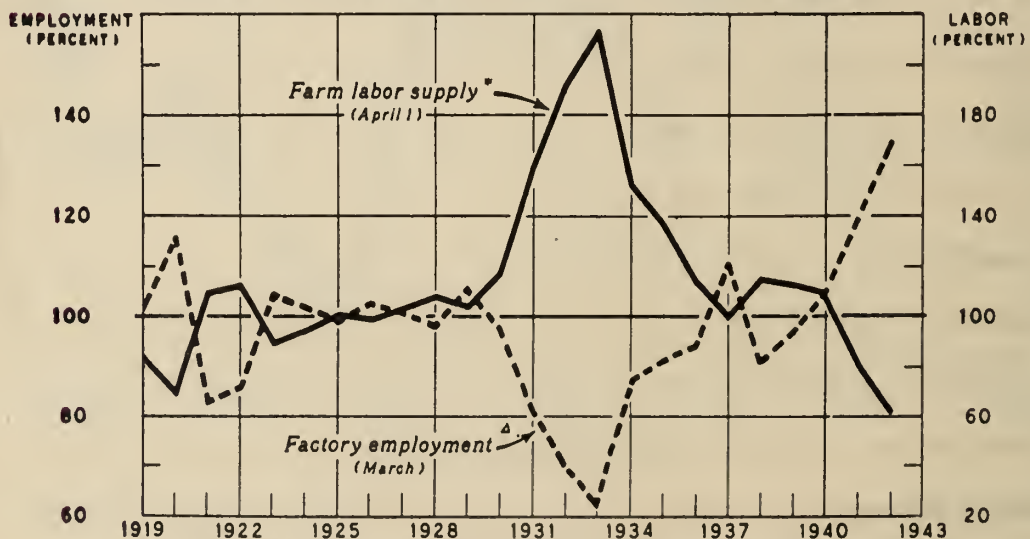
* BASED ON BUREAU OF LABOR STATISTICS' DATA, SEASONALLY ADJUSTED BY BUREAU OF AGRICULTURAL ECONOMICS; EXCLUDES MILITARY PERSONNEL, PROPRIETORS, SELF-EMPLOYED, DOMESTIC AND CASUAL WORKERS.

Δ BASED ON DATA FROM BUREAU OF CENSUS AND B. A. E.

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SUPPLY OF FARM LABOR AND FACTORY EMPLOYMENT, INDEX NUMBERS, UNITED STATES, 1919-42



* SUPPLY AS PERCENTAGE OF DEMAND, ("NORMAL" SUPPLY WITH "NORMAL" DEMAND=100)

Δ EMPLOYMENT IN MANUFACTURING INDUSTRIES, (1923-25=100), FROM BUREAU OF LABOR STATISTICS

U. S. DEPARTMENT OF AGRICULTURE

NEG. 21524 BUREAU OF AGRICULTURAL ECONOMICS

FIGURES 1-2.- THE NUMBER OF NONAGRICULTURAL CIVILIAN EMPLOYEES IS THE LARGEST RELATIVE TO POPULATION SINCE 1929, IN ADDITION TO THE MEN IN MILITARY SERVICE. THESE DRAINS ON AVAILABLE MANPOWER--MILITARY AND NONAGRICULTURAL CIVILIAN--ARE CREATING A SERIOUS FARM LABOR PROBLEM. ALTHOUGH AGRICULTURAL PRODUCTION IN 1942 WAS THE LARGEST ON RECORD, THE SUPPLY OF FARM LABOR IN RELATION TO DEMAND WAS THE LOWEST.

OUTLOOK FOR DEMAND AND PRICES IN 1943 1/

The over-all demand for farm products in 1943 will be stronger than in 1942. Prices received by farmers generally will be higher than on the average in 1942, and farmers' incomes will increase correspondingly. Farm prices and prices in general, however, probably will rise only slightly above current levels. Governmental control machinery has been greatly strengthened, and is expected to prevent in large part the reflection in prices of increased consumer purchasing power and military demand. Price trends for the rest of the war will be determined more by governmental action than by the usual demand-supply relationships, although one cannot be considered without the other.

The progressive rise in demand for farm products during the year 1943 and the increase for the year as a whole are expected to be substantial, although smaller than in 1942. This outlook is based on the following expectations: (1) a higher average level of domestic consumer income more than sufficient to offset any probable increase in individual taxes; (2) a smaller volume of nonagricultural products for consumers to buy, leaving an abnormally large portion of income which could be spent for agricultural products; and (3) large increases in military and lend-lease requirements for agricultural products, particularly foods. Speculative and storage demand will be less of a factor in the over-all situation than during the past 3 years, owing to the effect of broader governmental controls in limiting price advances.

Some factors important in determining the demand for farm products such as industrial production, employment and wage payments, will contribute in varying degrees toward further improvement in domestic demand, at least well into 1943. Others appear to be already approaching virtual plateaus, and are expected to contribute relatively little to further gains after this year.

1/ The outlook for the remainder of 1942 is discussed on pages 14 and 15.

This is particularly true of prices of commodities and services generally, and to a somewhat lesser extent of wage rates.

Assumptions basic to this 1943 outlook include: continuation of the war through 1943, further substantial increases in war spending, no serious break-down in the transportation system, and the most stringent governmental controls over prices, wages, and production in the history of the country.

-- September 16, 1942

War Spending Dominates

The outlook for war spending bears both directly and indirectly on prospective demand for farm products. Military and lend-lease purchases of agricultural products (discussed in detail elsewhere in this report) are expected to be considerably larger in 1943 than in 1942. In addition, overall demand will be increased greatly by wartime stimulation of consumer buying power as a result of prospective full employment.

War spending is now at an annual rate of over 70 billion dollars, and by this time next year may reach 100 billion. The October 1941 rate was 20 billion dollars. Some idea of the magnitude of war spending can be obtained by comparing it with national income. Our national income averaged only 66 billion dollars per year during the 1935-39 period, and never reached 100 billion dollars prior to 1942.

The effect of war on industry is indicated by recent Federal Reserve estimates showing that the portion of industrial production for war increased from 20 to 49 percent between June 1941 and June 1942. Total production also had increased during this time so that war output in June 1942 was 2-3/4 times what it had been a year earlier. Civilian goods production had declined 28 percent during this 12-month period. These diverse trends are expected to continue until around two-thirds of the total production will be devoted to war purposes by June of next year. The balance of industrial commodities left over for civilian use in terms of actual goods will be down to but little more than half the quantity available 2 years earlier.

Deficit spending by the Federal Government obviously has facilitated the sharp rise in industrial production during the past 2 years, and will continue an important influence through 1943. Government borrowing from banks is expected to exceed 4 billion dollars per month in 1943, compared with around 2 billion dollars per month this year. Financing the Federal deficit will therefore be an even larger factor in adding to expendable funds of consumers than in 1942.

The Government has been exercising ~~stringent~~ controls over the distribution of materials to industry, and extensive regulation of the distribution of consumer goods, of wages, and of commodity prices has been instituted. Such restrictions will reduce considerably the effects which Government borrowings and spendings otherwise would have on the general economy. The controls are designed to limit the amount of excess funds available to consumers, as well as to discourage the spending of such funds.

Industrial Activity to Average Higher

Further improvement in domestic consumer demand for farm products is indicated by the outlook for industrial activity. Industrial production generally is expected to be around 15 percent higher in 1943 than in 1942, although prospects vary widely for different important industries. The outlook assumes that both public and private transportation facilities will be strained, but that there will be no serious breakdown in either. A 1943 increase in industrial activity of the size expected would be accompanied by considerable gains in industrial employment, consumer buying power, and domestic demand for farm products.

The maximum retarding effects of conversion to war goods were felt in 1942, and the present war plant building program -- with some notable exceptions such as rubber facilities -- is scheduled for completion by the middle of 1943. The effect of the shift in emphasis from facilities to goods became evident in the rapid rise in industrial production after the second quarter of 1942. Thus by the end of the year, output will have risen considerably and will be around 7 percent above the 1942 average. Furthermore, an additional rise in the early months of 1943 appears probable, in contrast from the situation in early 1942 when plant conversion prevented a rise in aggregate output for several months. Thus although productive activity may rise little during the last half of 1943, the average increase for the year as a whole probably will be about the same as the rise in 1942, which is now estimated at 15 percent.

Materials, Labor, and Transportation are Limiting Factors

In 1943 as in 1942, the amount of raw materials available for processing will be a factor limiting the rise in industrial production. There will be more of most raw materials in 1943 than in 1942. But the amount of goods processed for civilian use will again have to be curtailed in order that the supply of materials for war goods can be enlarged. This prospective reduction in civilian goods will continue to take place at the same time that total industrial production and pay rolls are expanding, and will necessitate consumer rationing of a growing list of commodities. Otherwise, the excess income of consumers, in seeking an outlet, could lead to the commodity price inflation which governmental controls are designed to prevent.

Civilian employment already has reached a new peak, in addition to those in the armed services. Bureau of Census data covering the period April 1940 to August 1942, inclusive, indicate a civilian labor force averaging approximately 54-1/2 million persons (14 years of age and over) in each of the years 1940, 1941, and 1942. This suggests that the normal growth in the working

population, the influx of women workers, the addition of many youths, who would in peacetime be in school, to the labor force, and some reentry of retired workers has just about offset the military drain on manpower to date. It is possible, however, that there will be a critical labor shortage in 1943. This could make the rise in industrial production even smaller than would be permitted on basis of the estimated increase in supply of materials.

Some highlights in the labor situation are as follows: the civilian labor force (54.4 million persons in 1940 and 1941) is expected to average about 54.6 this year and 54.8 in 1943, an estimated increase of less than half a million between 1940 and 1943. Civilian employment averaged 46 million in 1940, 48.8 million in 1941, 52.1 million (partly estimated) in 1942. Requirements are expected to rise by over 2 million in 1943 -- an estimated gain from 1940 to 1943 of over 8 million. In short, on the basis of these calculations, the labor surplus of around 8-1/2 million in 1940 will practically disappear in 1943. Normal yearly labor turn-over is said to be around 2 million persons. Labor shortages already are becoming serious in such industries as metal working, metal mining, aircraft building, and lumber, and are causing much concern in agriculture. Not only will there be too few workers in many places and occupations in 1943, but at least one of each 10 employed civilian workers will either be a new worker or a worker who in peacetime would not be in the labor force at all -- youths, women, and older men.

The transportation system is beginning to groan under the war load. Coastal traffic has been reduced sharply by the war. The use of motor vehicles is being drastically curtailed in all except the most necessary lines of activity. At the same time, the total traffic load has increased considerably. Further gains of much consequence in railway traffic would require the manufacture of more new equipment than war demands for strategic materials will permit. Not only will delays in deliveries become more and more troublesome with further increases in the freight load, but there is danger that the automobile tire situation may complicate further the already tightening labor situation. Even if materials and labor should be available in greater quantities than expected in 1943, the transportation situation probably would prevent much further rise in industrial activity than is now anticipated.

Consumer Income to Increase Further

Partly because of increased employment, and partly because of higher average hourly earnings due to overtime, longer working hours, and greater productivity, aggregate industrial wage payments in 1943 will continue to rise. The income from investments may be lower in 1943 than in 1942 because of declining dividend payments, but any reduction of such income will be small relative to the expected gain in wage payments.

The increase in nonagricultural civilian employment in 1943 probably will be smaller than the average gain of over 2-1/2 million persons in 1942, and the rise of wages per worker also will be smaller in 1943 than this year.

Employment will be affected by the declining labor surplus, and wages by governmental control of wage increases. Difficulties thrown in the way of workers shifting from one war job to another because of wage inducements also will affect the rise in aggregate wage payments.

The somewhat smaller increase in consumer income in 1943 than in 1942 would not necessarily result in corresponding diminution of the rise in consumer demand for farm products. It appears almost certain that the volume of industrial products available to civilians (including services) will be smaller in 1943 than in 1942. With prices of such goods and services controlled, there will be a large increase in consumer income available for the purchase of agricultural products. This means that considerable pressure will be exerted on prices, particularly on those products which will be available to civilians in reduced amounts. For discussion, see sections below entitled, "Price Control and Consumer Rationing" and "The General Price Level."

Military and Lend-Lease Demand Will Rise

Food needed for our enlarged military forces and for lend-lease shipment to our Allies will increase sharply in 1943, compared with the total of these requirements in 1942. Military and lend-lease purchase of food in 1943 are expected to be equivalent to about 20 percent of current domestic production, compared with about 13 percent this year and 4 percent in 1941. Exports outside of lend-lease in 1943 will not be of much significance, but they may be about as large as they have been this year. The total supply of foods (production plus stocks) probably will be of record size in 1943. The amount available to the average civilian consumer, however, may be somewhat smaller than the large supplies of the preceding 2 years, although considerably larger than the pre-war 1935-39 average.

The filling of military and lend-lease needs is estimated to have required about 5 percent of the meat produced in 1941. It is expected to account for nearly 20 percent in 1942 and over 25 percent in 1943. Despite these increases, the average civilian probably will be able to consume more meat in 1943 than in 1942, and only slightly less than in 1941. Total meat production is establishing new records.

Similar situations are found in eggs, poultry and cereals, except that after increased military and lend-lease demands are met in 1943, there will be more of these products for civilians than there were in either of the last 2 years. Civilians apparently will have to get along with less dairy products in 1943 than they have this year, and at best, no more than they had in 1941.

Growing war needs for fats and oils are expected to leave about the same amounts for the average civilian next year as this year, but less than in 1941. After war needs are met, fruits, vegetables, and possibly sugar will be available in smaller per capita volume in 1943 than in either 1941 or 1942.

Price Control and Consumer Rationing

Production of foods generally has increased enough to meet military and lend-lease needs, and still leave the average consumer in 1943 more than he had in the 1935-39 period. However, the increase in consumer income has been much larger than the increase in production. The result has been a growing upward pressure on prices. In the absence of rationing, this has caused an inequitable distribution of meats as between various localities. It also forced price ceilings upward on some food products, and for others not brought under ceilings until this month it has resulted in a continued rapid rise in prices.

In order to avoid the usual effects on prices next year of rising consumer incomes -- with available per capita supplies of food expected to remain generally about unchanged from this year -- Government controls have been broadened and strengthened under the amended Emergency Price Control Act. Ninety percent of all the foods in the average family budget are now subject to price ceilings, but rationing of a growing list of products will become necessary. Generally speaking, shortages of civilian supplies in relation to probable consumer buying power will extend to most food products except cereals and citrus fruits. Poultry and fresh milk are borderline cases. The adequacy of supplies of some foods will depend in part on the effects of shifts in demand resulting from shortages of competitive products. For instance, if the rationing of poultry is necessary later, it probably will be due to the shortage of meats. Rationing of fresh milk may be avoided by rationing products manufactured from milk. Rationing probably will not be needed, at least for many months, for most cereals, fresh fruits, vegetables generally, and eggs. Meats present the most urgent rationing problem at present.

The necessity of consumer rationing will not stop with foods, but will extend to a growing list of other agricultural and industrial products. Up to now the worst shortages of civilian industrial goods have been largely in the durable and semidurable types -- autos, tires, radios, household equipment, etc. Replacement of such articles can often be deferred without causing very much immediate inconvenience, but the nondurable items -- more and more of which will become scarce as the war progresses -- present a different problem. Because the immediate replacement of these nondurable goods is more urgent, rationing will be needed if competitive bidding on the part of consumers for the inadequate supplies is not to make control of prices extremely difficult.

The General Price Outlook

The outlook for wholesale and retail prices generally in 1943 differs from what it was a year earlier in that prices of a much larger portion of commodities and services now are subject to governmental control. Price trends for the rest of the war will be determined more by governmental action than by the usual demand-supply relationships.

Prospective changes in the demand-supply outlook are little different now from a year ago. Next year will be marked by: (1) increased consumer purchasing power; (2) increased military and lend-lease demand; and (3) shortages of many industrial and some agricultural products for civilian use. The important difference is that governmental control machinery has just been greatly strengthened. This is not only expected to prevent largely any reflection in prices of increased consumer purchasing power and military demand, but also to reduce speculation which is a particularly important factor in the over-all demand situation in wartime.

Since the fall of 1941, the output of industrial products for civilian use has been declining, but consumer income has continued to rise. This situation would already have resulted in considerably sharper price advances, both at wholesale and retail levels, if it had not been for the effect of broadening governmental price controls. The diverse trends in available consumer goods and in purchasing power will extend into the coming year. Thus the disparity between purchasing power and available goods will become larger and the pressure on prices greater. Rationing, increased personal taxes, and larger savings will minimize the pressure on prices. But a few commodities and services still are not subject to price ceilings, and it is doubtful that some further rise in the general price level can be avoided.

Average wholesale commodity prices rose 11 and 14 percent in 1941 and 1942, respectively, while urban living costs rose 5 percent in 1941 and 10 percent in 1942. In 1943 it is expected that offsetting the effects of broadened governmental controls and increased demand will be further price rises of around 3 percent, with the average increase in retail prices somewhat larger than the increase in wholesale prices. These 1943 forecasts assume that through recently broadened price controls, rationing, and possibly subsidies, the price rise for agricultural products will be held within small limits. The prices of nonagricultural groups have been effectively controlled since the first quarter of 1942.

Farm Prices and Income to Average Higher

Prices received by farmers will average 25 to 30 percent higher in 1942 than in 1941. Recently they have been around 6 percent above the estimated 1942 average level. Governmental control has now been extended over wholesale and retail prices of practically all nonfood products and of more than 90 percent of all foods. Designed in general to stabilize prices received by farmers around recent levels, food price control should hold further rises within comparatively narrow limits. The index of prices received by farmers is expected to average only 5 to 10 percent higher next year than this year, or not much above recent levels.

Prices paid by farmers including interest and taxes are expected to average about 151 percent of the 1910-14 average in 1942, compared with about 156 for prices received. The resulting parity price ratio of 103 compares with 91 in 1941 and a 1935-39 average of 82. It is expected that the parity price ratio will average somewhat higher in 1943 than in 1942, but not much above the recent level of 107. Computation of these ratios makes no allowance

for changes in farm wage ratio which for this year are estimated at nearly 200 percent of the 1910-14 average. Farm wages will rise some next year, although wage stabilization for industrial workers and the further extension of governmental controls over manpower and the economy in general should make the advance smaller than it otherwise would be.

Between 1914 and 1917 during World War I, annual average prices received by farmers rose from 101 to 175 percent of the 1910-14 average. During the comparable period of the present war (1939-1942), they have risen from an average of 92 in 1939 to 156 (partly estimated) in 1942. These rises have been of about the same size, 73 and 70 percent, respectively, in World Wars I and II. In 1918 prices received by farmers averaged 201, or 15 percent higher than in 1917. They are not expected to rise this much in 1943.

Farm income is expected to show a further increase in 1943. Present indications are that the production of livestock and livestock products in 1943 will continue the upward trend of recent years but at a reduced rate because of labor and other shortages. At about present price levels, income from these items would be higher in 1943 than in 1942. Sales of crops will be somewhat higher in the early months of 1943 than in the corresponding period of 1942, but unless yields should again be sharply above average, it is probable that the total volume of crops sold in 1943 will be somewhat less than in 1942. At prices averaging about the same as in September this year, cash income from farm marketings in 1943 would be around 16 billion dollars, compared with 15 billion in 1942. The previous peak in cash income from marketings was 14.6 billion dollars in 1919. Any material change in prices would necessitate a revision of the 1943 income forecasts. Gross farm income probably will increase by about the same amount as cash income.

Net farm income in 1943 will be influenced to some extent by whether or not farmers can get supplies. The rationing of new automobiles and trucks, farm machinery, building materials, tires, and gasoline probably will result in some curtailment of expenditures. The reduction in expenditures for buildings and equipment, however, will not be accompanied by a corresponding decrease in depreciation, for which allowance is made in computing net farm income. Purchases of nitrogen fertilizer will be reduced in 1943. Expenditures for labor may be limited somewhat by the shortage of competent help and may not be appreciably larger than in 1942. Farmers' expenditures for feeds, repairs, blacksmithing, and hauling probably will be somewhat greater than in 1942.

Expenses may be tentatively estimated as between 9 and 9-1/2 billion dollars. This would leave a net income to farm operators in 1943 of between 10 and 10-1/2 billion dollars, compared with about 9.8 billion dollars this year and 8.8 billion dollars in 1919 (the previous peak).

Net farm income is estimated at about 139 percent of parity in 1942, as compared with 111 percent in 1941 and 100 percent in 1935-39. ^{1/} Parity income is the net farm income needed to maintain the 1910-14 ratio of per capita farm income to per capita nonfarm income. Little change in the parity income ratio is anticipated in 1943 compared with 1942. During World War I, net farm income rose from 97 percent of parity in 1916 to 147 percent in 1917 and to the record level of 165 percent in 1918.

The Situation by Commodities

Cotton: Farmers are now receiving the highest combined returns from lint and seed since the middle 1920's. Domestic supply of American cotton is about 24.0 million bales (10,455,000 carry-over and 13,550,000 production) compared with 22.6 million last season. The carry-over contained more high quality cotton than was generally expected, but production of long staple and high grade cotton may be well below early summer expectations. Consumption may total about 11.6 million bales this season compared with last season's record of 11.2 million, and the carry-over on August 1, 1943 is expected to be larger. Farmers normally producing short staple cotton are urged to shift where practicable either to varieties longer than 1 inch or to other needed crops. Prevailing premiums and discounts will encourage a shift to longer staples.

Production of American-Egyptian (SxP) cotton is estimated at about 96,000 running bales, which with a carry-over of about 25,000 bales, gives a prospective supply of 121,000 bales, a record high. Since imported Egyptian cotton is underselling SxP cotton by about 6-1/4 cents per pound, consumption of SxP may be held down somewhat during the next few months. But total extra-staple consumption this season probably will include most available imported Egyptian cotton and more SxP than last season's total of 47,000 bales. The Arizona farm price of SxP cotton was 41.0 cents on September 15, or about 4 cents below prices at New England mill points.

Wheat: Wheat prices in 1942-43 are expected to average higher than in 1941-42, and those for 1943-44 higher than in 1942-43. On the basis of present prospects, stocks of old-crop wheat on July 1, 1943 are expected to total about 800 million bushels. Unless considerably larger than average yields are obtained on an assumed acreage somewhat below the national allotment level of 55 million acres, the disappearance in 1943-44 may be large enough to result in a big reduction in the carry-over July 1, 1944 compared with a year earlier. A large increase in wheat feeding and a significant step-up in the use of wheat for the production of alcohol are expected.

^{1/} These ratios differ slightly from those in the September 1942 Farm Income Situation, because of revisions in the estimates of farm population. These revised farm population estimates for the years 1931-42 will be available soon. They will show a farm population as of January 1, 1942 of 29,048,000 compared with 29,988,000 a year earlier.

Rye: Rye prices in 1943-44 are not expected to average much different than they averaged during the current year. There is little prospect that the 1943 rye acreage will be significantly reduced from present levels, and prospects are that the carry-over on July 1, 1943 will be very large. Supplies will be ample to take care of increased domestic requirements as well as foreign needs, and still leave a very sizable stock pile at the end of the 1943-44 year.

Rice: Prices for the 1942 crop are expected to average above 1941, and for 1943-44 probably about the same as in 1942-43. The record rice crop of 72 million bushels is expected to be ample to leave a carry-over at the beginning of the 1943 crop year of about average size, after satisfying domestic and foreign demands. Seedings for 1943 will depend considerably on prices during the current year, but it is expected that the acreage will be well maintained. If yields are about average, prospects are that requirements both domestic (including about an average size carry-over) and foreign will be met.

Fats and Oils: Production of fats and oils from domestic materials is expected to total nearly 12 billion pounds in 1943, greatly exceeding all previous records. Production of oilseeds in 1943, however, may be smaller than in 1942, when yields per acre were unusually high. With consumer income increasing, large export requirements, and imports at a low level, demand for domestic fats and oils will be very strong. Prices of fats, oils, and oilseeds will remain at high levels, but further advances will be restrained by price ceilings.

Feed: A strong demand for feed may cause feed prices to advance in 1942-43, but the extent of the increase will be limited by large supplies of feed, by the feed-wheat program, and by price ceilings. Supplies of feed grains and forage crops for the 1942-43 feeding season are the largest on record, and are ample in most of the important feeding areas for the increased requirements of livestock. Supplies of all high-protein feeds are large, but it will be necessary for hog and poultry producers to increase the quantity of oil meal fed to replace limited supplies of animal protein feeds. Some increase in feed-grain acreage in 1943 is in prospect, although feed-grain production probably will be below 1943-44 requirements unless yields are again exceptionally high.

Hogs: Inspected hog slaughter in the 1942-43 marketing year probably will total more than 65 million head, and total slaughter may be as great as 95 million head. Lend-lease and military requirements for hog products in 1943 are expected to about offset the sharp increase in hog production and slaughter. Together with the strong civilian consumer demand for meats, this will be reflected in a continued high level of hog prices.

Cattle: Strong consumer demand, together with large military requirements for beef, will be important factors supporting cattle prices at or near current levels in 1943. Slaughter of cattle and calves in 1942 is expected to total approximately 28.0 million head, about 2 million more than in any other year of record. Despite this large slaughter, cattle numbers of January 1, 1943

are expected to be over 1 million head greater than the previous record number reached a year earlier. With this large cattle population, total marketings for slaughter in 1943 could reach nearly 30 million head without a material reduction in breeding stock. Because of the strong slaughter demand for cattle during the past summer and early fall, prices of feeder cattle have been maintained at a fairly high level in relation to fat cattle prices. Shipments of feeder cattle to the Corn Belt have been larger than a year earlier during the past 2 months, however, and the total number of cattle fed in the 1942-43 feeding season may again be large.

Sheep and Lambs: Lamb prices in 1943 are expected to continue at or near recent high levels. Despite the slightly smaller lamb crop this year than last, slaughter of sheep and lambs since early May has been substantially larger than a year earlier. Much of the increase has been in ewe lambs and sheep, and it is likely that the number of stock sheep on farms and ranches January 1, 1943 will be reduced moderately from the record high level of a year earlier. Some further reduction of sheep numbers may take place during 1943, particularly in the Western sheep States where a shortage of herders and other skilled labor is an important factor affecting production.

Wool: Prices for the 1943 wool clip probably will be at or near ceiling levels. With a reduction in sheep numbers in prospect, domestic wool production in 1943 may be slightly smaller than the 1942 production of 457 million pounds. Because of large military requirements, total mill consumption of wool probably will continue at the record high annual rate of about 1 billion pounds reached in 1942.

Dairy Products: With present price ceilings, a reduction in the quantities of milk and dairy products available to consumers might result in 1943 unless special incentives are offered producers. Although total milk production may be about the same as in 1942 military and lend-lease requirements will be much larger. Prices may average about 5 percent higher than a year earlier. Higher feed prices, the shortage of labor, and continued strong competition from hogs and beef cattle will offset the effect on milk production of higher dairy product prices and increased cow numbers.

Poultry: Prices for poultry products in 1943 as a whole will average higher than this year, and cash farm income from poultry and eggs will establish a new high record. Production of poultry products in the United States in 1943 is likely to surpass the record output of 1942. Supplies of poultry meat per capita will be the largest on record, and supplies of eggs probably will be at least as large as the average for recent years. However, civilian, military, and lend-lease demand will be unprecedently large.

Tobacco: Prices for most types of the 1942 tobacco crop will be above the comparatively high levels of 1941, and a moderate increase probably will occur in 1943. The indicated production of all tobacco in 1942 is 9 percent more than in 1941. But the consumption of tobacco products, particularly cigarettes, is increasing, and stocks of most types will be smaller at the beginning of the 1943-44 season. Prices for flue-cured tobacco have been under a price ceiling since August 31. This ceiling has exercised an

important restraining influence, but prices are the highest since 1919 and returns to growers will be the largest on record.

Fruits: In 1943 fruit growers in general will receive higher prices for their crop than they received in the preceding year. However, ceiling prices at the wholesale and retail level have been temporarily established for citrus fruits, and it is probable that they will be placed on other fresh fruits during the next year.

The size of the fruit crop in 1943-44 cannot be determined at this time, although it is likely that it will be slightly smaller than the bumper crop in 1942-43. Since military and lend-lease requirements in 1942-43 will be substantially above those for the preceding years, the total amount of fruit on a fresh equivalent basis available for civilian consumers will be considerably less.

The orange and grapefruit crops that will be marketed from this fall to next may easily be the largest on record. At this time it appears likely that the 1942-43 weighted average price received by growers for oranges and grapefruit (sold for fresh consumption and for processing) will be at least 15 percent and 5 percent higher respectively than the weighted average in 1941-42. Such price levels would still be below the comparable prices established in September for these commodities. The demand for both of these fruits for processing will be exceptionally great, because large quantities of concentrated orange juice are desired for lend-lease shipment. Cannery of grapefruit juice will attempt to utilize the relatively large quantity of tin plate that will be made available to them.

Truck Crops, Processing Crops, Potatoes, Dry Beans: Even though total acreage of truck crops remains about the same in 1943 as this year, possible shortages of labor, materials, and transportation facilities and a possible reduced yield per acre may result in a total production considerably less than the 1942 crop.

In view of the probable smaller vegetable production in 1943 and the greatly increased demand, truck crop prices if not controlled likely will continue to rise in 1943. Increased demand in 1943 and the possibility of a potato crop no larger than in 1942 will result in strong upward pressure on prices in 1943. However, a temporary ceiling has been placed on potato prices. With continued price support, most dry bean growers are assured a fairly high price despite a succession of record dry bean crops.

The outlook for processing vegetables will depend to a large extent upon tin allocations for 1943.

Summary of Outlook for Remainder of 1942

The greatest offsetting effects to increased over-all production as a result of the conversion of factories to war products were felt during the first half of 1942. Since then the rise in industrial activity has again been rapid. This is resulting in substantial gains in consumer income which, together with the large military and lend-lease requirements for food and textiles, creates a strong demand for farm products. The upward trend in factors influencing demand is expected to continue for the rest of this year.

Prices received by farmers generally are at the highest levels reached during the present war period (163 percent of the 1910-14 average in August and September) and are expected to show only moderate changes during the remainder of 1942. Governmental controls over wholesale and retail prices now cover 90 percent of all foods, practically all nonfood commodities, and many services. Residential rents also are subject to control, and authorization has been given for the control of wage rates. The effects of these controls will tend to limit further advances in prices received by farmers.

During the remainder of 1942, farm marketings will be influenced by the record 1942 production of both crops and livestock. Due largely to increased marketings from the record crops of 1942, cash farm income from sales rose sharply to a new peak in August, after allowance for the usual seasonal changes. The upward trend probably has continued to date, and prospects are that income will remain around the present relatively high level during the remainder of 1942.

Prices paid by farmers for commodities, interest and taxes remained at 152 percent of the 1910-14 average from May, when retail price controls were instituted, through September. Prices received rose from 152 to 163. As a consequence, the price parity ratio rose from 100 to 107. After price adjustments have been made, taking into account the added controls since September, further changes in the price parity ratio probably will be small.

ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS: INDICATED BASE PERIOD = 100

| YEAR AND MONTH | INDUSTRIAL PRODUCTION ¹ | FACTORY EMPLOYMENT ² | FACTORY PAY ROLLS ² | INCOME OF INDUSTRIAL WORKERS ³ | WHOLE-SALE PRICES OF ALL COMMODITIES ⁴ | RETAIL FOOD PRICES ⁵ | COST OF LIVING URBAN ⁶ | PRICES RECEIVED BY FARMERS ⁷ | PRICES PAID BY FARMERS ⁸ | PRICES PAID BY FARMERS, INTEREST AND TAXES ⁹ | RATIO OF PRICES RECEIVED TO PRICES PAID INCL. INTEREST & TAXES | CASH INCOME FROM FARM MARKET ¹⁰ |
|---------------------|------------------------------------|---------------------------------|--------------------------------|---|---|---------------------------------|-----------------------------------|---|-------------------------------------|---|--|--|
| Base Period | 1935-39 | 1935-39 | 1935-39 | 1935-39 | 1935-39 | 1935-39 | 1935-39 | 1910-14 | 1910-14 | 1910-14 | 1910-14 | 1910-14 |
| 1929 | 110 | 108 | 127 | 134 | 118 | 133 | 122 | 146 | 154 | 167 | 87 | 190 |
| 1930 | 91 | 94 | 103 | 110 | 107 | 126 | 119 | 126 | 146 | 160 | 79 | 152 |
| 1931 | 75 | 80 | 78 | 85 | 91 | 104 | 109 | 87 | 126 | 140 | 62 | 107 |
| 1932 | 58 | 68 | 54 | 59 | 80 | 86 | 98 | 65 | 108 | 122 | 53 | 80 |
| 1933 | 69 | 75 | 58 | 61 | 82 | 84 | 92 | 70 | 108 | 118 | 59 | 89 |
| 1934 | 75 | 88 | 74 | 77 | 93 | 94 | 96 | 90 | 122 | 128 | 70 | 106 |
| 1935 | 87 | 98 | 86 | 87 | 99 | 100 | 98 | 108 | 125 | 180 | 83 | 119 |
| 1936 | 103 | 101 | 99 | 100 | 100 | 101 | 99 | 114 | 124 | 128 | 89 | 139 |
| 1937 | 113 | 111 | 118 | 117 | 107 | 105 | 108 | 121 | 131 | 134 | 90 | 148 |
| 1938 | 89 | 93 | 91 | 91 | 98 | 98 | 101 | 95 | 123 | 127 | 75 | 129 |
| 1939 | 108 | 102 | 106 | 105 | 96 | 95 | 99 | 93 | 121 | 125 | 74 | 132 |
| 1940 | 123 | 110 | 122 | 119 | 98 | 97 | 100 | 98 | 122 | 126 | 78 | 141 |
| 1941 | 156 | 130 | 172 | 163 | 108 | 105 | 105 | 122 | 131 | 134 | 91 | 188 |
| 1941-Sept. | 161 | 135 | 187 | 177 | 114 | 111 | 108 | 139 | 136 | 138 | 101 | 200 |
| Oct. | 164 | 136 | 189 | 178 | 115 | 112 | 109 | 139 | 139 | 141 | 99 | 203 |
| Nov. | 166 | 137 | 192 | 180 | 115 | 113 | 110 | 135 | 141 | 143 | 94 | 205 |
| Dec. | 168 | 138 | 197 | 187 | 116 | 113 | 110 | 143 | 142 | 143 | 100 | 244 |
| 1942-Jan. | 172 | 139 | 208 | 196 | 119 | 116 | 112 | 149 | 146 | 146 | 102 | 243 |
| Feb. | 172 | 138 | 205 | 194 | 120 | 117 | 113 | 145 | 147 | 147 | 99 | 238 |
| Mar. | 172 | 138 | 205 | 194 | 121 | 118 | 114 | 146 | 150 | 150 | 97 | 231 |
| Apr. | 173 | 139 | 213 | 203 | 122 | 120 | 115 | 150 | 151 | 151 | 99 | 248 |
| May | 175 | 140 | 220 | 209 | 123 | 122 | 116 | 152 | 152 | 152 | 100 | 237 |
| June | 176 | 148 | 228 | 216 | 122 | 123 | 116 | 151 | 152 | 152 | 99 | 238 |
| July | 180 | 147 | 244 | 227 | 122 | 125 | 117 | 154 | 152 | 152 | 101 | 239 |
| Aug. ¹⁰ | 183 | 148 | 249 | 232 | 123 | 126 | 117 | 163 | 152 | 152 | 107 | 256 |
| Sept. ¹⁰ | -- | -- | -- | -- | -- | 127 | -- | 163 | 153 | 152 | 107 | -- |

¹Federal Reserve Board, adjusted for seasonal variation. Revised September 1941.

²Bureau of Labor Statistics, adjusted for seasonal variation and converted from the 1923-25 base (employment adjusted by Federal Reserve and pay rolls by Bureau of Agricultural Economics).

³Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised November 1941. To convert to 1924-29 base, multiply by 78.0744 percent.

⁴Bureau of Labor Statistics, 1926 = 100 converted to 1935-39 = 100 by multiplying by 124.069 percent.

⁵Bureau of Labor Statistics.

⁶Bureau of Labor Statistics. Index numbers of cost of goods purchased by wage earners and low-salaried workers in large cities.

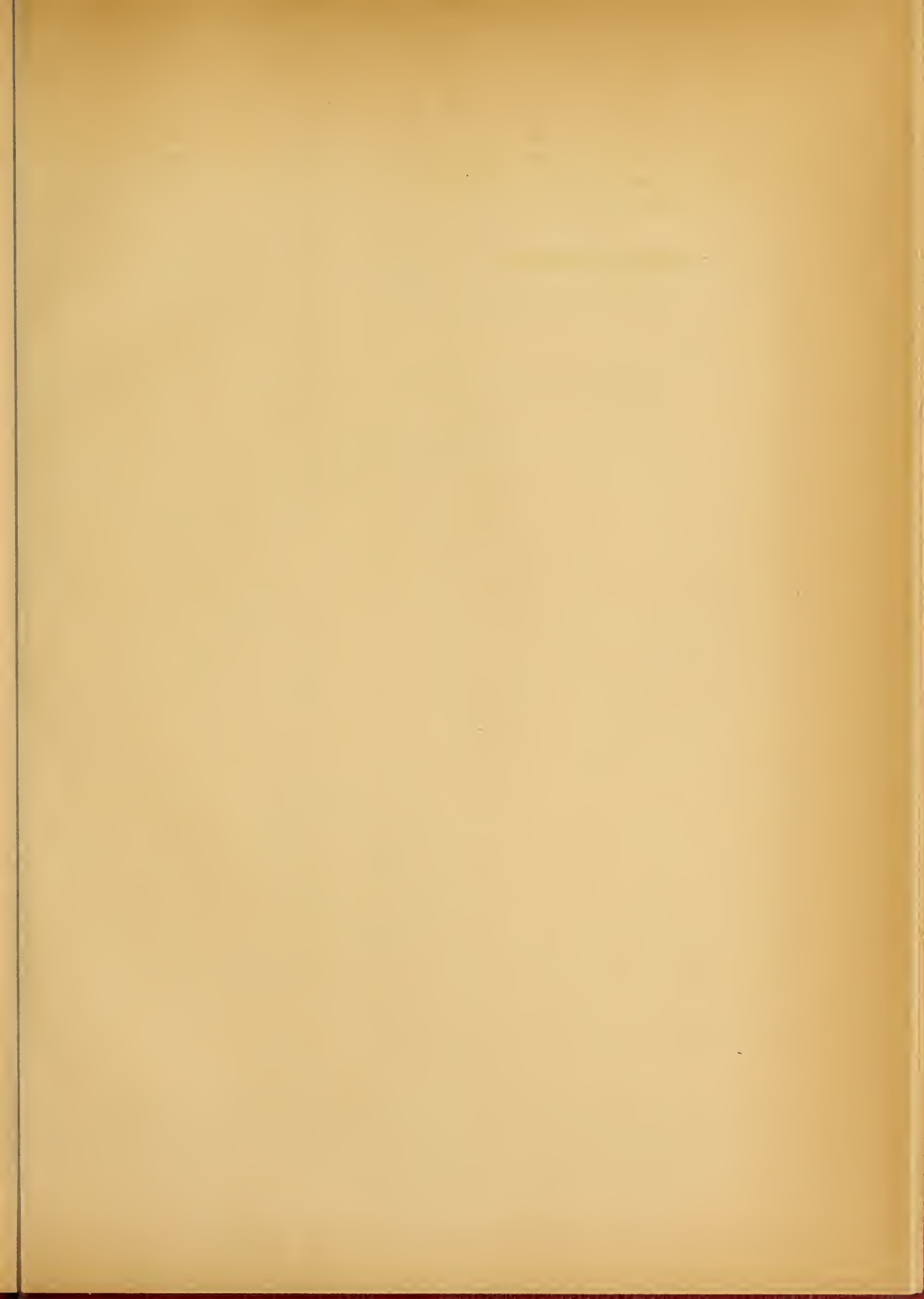
⁷August 1909-July 1914 = 100.

⁸Revised July 1942. Annual figures are straight averages of 12 monthly indexes, 1923-41.

⁹Adjusted for seasonal variation, converted from 1924-29 = 100 to 1910-14 = 100.

¹⁰Preliminary.

Note: In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and pay rolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.



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